

BEFORE THE IDAHO BOARD OF TAX APPEALS

IN THE MATTER OF THE APPEAL OF RON NILSON) APPEAL NO. 07-A-2487
from the decision of the Board of Equalization of) FINAL DECISION
Kootenai County for tax year 2007.) AND ORDER

RESIDENTIAL PROPERTY APPEAL

THIS MATTER came on for hearing November 30, 2007, in Coeur d'Alene, Idaho before Board Member Linda S. Pike. Board Members Lyle R. Cobbs and David E. Kinghorn participated in this decision. Appellant Ron Nilson appeared. Chief Deputy Assessor Darin Krier and Residential Manager Richard Houser appeared for Respondent Kootenai County. This appeal is taken from a decision of the Kootenai County Board of Equalization (BOE) modifying the protest of the valuation for taxing purposes of property described as Parcel No. C26250010120.

The issue on appeal is the market value of an improved residential property.

The decision of the Kootenai County Board of Equalization is affirmed.

FINDINGS OF FACT

The assessed land value is \$1,471,860, and the improvements' valuation is \$1,587,782, totaling \$3,059,642. Appellant requests the land value be reduced to \$1,200,000, and the improvements' value be reduced to \$1,400,000, totaling \$2,600,000.

The subject property is a .617 acre lot located in Coeur d'Alene, Idaho. Subject has 122 feet of waterfront on the Spokane River. Attached is a 7,100 square foot residence. Subject's residential improvements were reduced at BOE from \$1,904,147 to the current assessed value of \$1,587,782.

Appellant alleged subject's assessment was not reflective of market value, primarily based on the value assigned to the land. Appellant purchased subject (Lot 12) and an adjacent lot (Lot 11) in 2004 for \$325,000 and \$275,000, respectively. On Lot 12 (subject), Appellant built a

residence, which was completed in the fall of 2006. Lot 11 was sold in early 2006 for \$850,000. Appellant referenced subject was purchased for approximately 15% more than Lot 11 and reasoned subject's current assessment should thus be 15% above the sale price of Lot 11.

Regarding subject's improvements, Appellant argued the construction cost should be considered. Though not disclosed at hearing, Appellant provided the County (prior to hearing) with all sums paid for subject's construction.

Appellant also referenced the adjacent improved lot was placed on the market in early 2006 for \$2,400,000, yet had not sold as of the date of this hearing. Subject was argued to be similar to the neighboring property. Appellant contended the fact that the adjacent lot had not sold in approximately one year indicated the listing price was too high. Appellant argued because the properties were similar, subject should not be valued much above the \$2.4 million listing price of the adjacent property.

Appellant then provided five (5) assessments of properties located in subject's neighborhood. It was noted the properties had more waterfrontage, yet were assessed similar to or less than subject.

Finally, Appellant referenced a fee appraisal that was completed for subject. The report was dated February 27, 2006 and concluded subject's total value was \$2,046,000. The report noted subject's construction was not complete so the reported value was conditioned on subject being completed as outlined in the building plans. Appellant conceded the appraisal was not reflective of subject's true market value on January 1, 2007, which was the reason Appellant asked this Board to place the value at \$2,600,000.

Respondent first contended Appellant's purchase of subject and the adjacent lot was irrelevant for the purpose of subject's 2007 assessed value. It was argued market conditions had

changed since 2004, making subject's purchase price an unreliable indicator of current value.

Regarding subject's cost of construction, Respondent argued cost is not necessarily reflective of market value. Implied was such evidence should not be considered.

Also challenged, was Appellant's reference to assessed values of neighborhood properties. It was argued assessed values of other properties are not good indicators of subject's market value.

Respondent then presented three improved waterfront sales in subject's subdivision. Two of the sales occurred during 2006 and the third property sold in February 2007. The lots had between 75 and 100 front feet with residences between 3,418 and 5,498 square feet of total finished living area. The lot sizes were similar to subject. The properties sold between \$2,178,000 and \$2,400,000. Respondent specifically pointed to Sale 1, which had 22 fewer front feet with a residence approximately 1,500 square feet smaller than subject. It was noted, despite the significantly smaller residence size, Appellant's value claim for subject was only \$100,000 more than the \$2,505,600 time-adjusted sale price of Sale 1. Subject has 122 front feet, improved with a 7,100 square foot residence with a total assessed value of \$3,059,642.

CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of fair market value. This Board, giving full opportunity for all arguments and having considered all testimony and documentary evidence submitted by the parties in support of their respective positions, hereby enters the following.

For the purposes of property taxation, Idaho Code requires property be valued at full market value. See Idaho Code § 63-201 (10):

“Market value” means the amount of United States dollars or equivalent

for which, in all probability, a property would exchange hands between a willing seller, under no compulsion to sell, and an informed, capable buyer, with a reasonable time allowed to consummate the sale, substantiated by a reasonable down or full cash payment.

To this end, the Idaho Supreme Court has recognized three approaches for determining market value.

"[T]here are three primary methods of determining market value: the cost approach, in which the value as determined by new cost or market comparison is estimated and reduced by accrued depreciation; the income approach, applicable to "income producing property" in which a capitalization rate is determined from market conditions and applied to net income from the property to determine appraised value; and the market data (comparison method) approach, in which value of the assessed property is ascertained by looking to current open market sales of similar property." *Merris v. Ada County*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979).

Appellant's arguments were essentially threefold:

1. Subject should only be valued 15% higher than the adjacent property because Appellant purchased the adjacent lot for 15% more at the same time subject's lot was purchased in 2004;
2. Examination of assessed values of nearby waterfront properties indicated subject was over-valued; and
3. Subject's total cost of construction should reflect the assessed value.

As noted by Respondent, Appellant's purchase of subject and the adjacent lot in 2004 has little relevance in determining subject's market value on January 1, 2007. Market conditions have changed since subject's purchase, as conceded by Appellant. Furthermore, improvements have since been made to both parcels. Specifics concerning square footage, quality of construction, and the like were not discussed at hearing, so there is no way for the Board to determine if the properties are indeed similar as they stand today.

Also not compelling are assessed land values of other properties located in subject's general

area. Though not specifically articulated by Appellant, the argument was basically that subject was inequitably assessed compared to nearby parcels. Troubling, however, was the properties presented by Appellant involved lots with significantly more waterfront and acreage than subject. The properties ranged between 156 and 305 front feet with lot sizes between 1.808 and 4.89 acres. Subject is .617 acres with 122 front feet. Questions of comparability are immediately apparent. Nothing in the record indicated Respondent singled-out or otherwise valued subject differently than any other properties in the area, thus defeating Appellant's inequitable assessment claim.

Appellant's third argument centered around subject's total acquisition and construction cost. Reference was made to a binder that detailed all costs associated with subject's construction. Appellant testified the information contained in the binder was shared with Respondent sometime prior to this hearing. No such information, however, was disclosed at hearing. Furthermore, Respondent had questions concerning the accuracy of some of the information contained in the binder. While the cost approach is a recognized appraisal method, particularly for new construction such as subject, no cost information was shared, so the Board has no basis to determine subject's value using this valuation method.

Respondent utilized the market data approach to support subject's assessed value. Three improved waterfront sales were presented, two of which occurred during 2006. The remaining property sold in February 2007. Idaho Code requires property be valued on January 1 of the applicable tax year; January 1, 2007 in this case. See Idaho Code § 63-205. As such, the 2007 sale cannot be considered in this decision because it occurred after the applicable lien date.

The 2006 sales (Sale 1 and Sale 2), on the other hand, can be considered. The properties were located in subject's subdivision and sold for \$2,400,000 and \$2,300,000 or \$23,954 and \$30,560 per front foot, respectively. The parcels had 100.19 and 75.26 front feet and were

improved with 5,498 and 4,604 square foot residences. Subject was graded superior, though was considered to be in similar condition as the sale properties. The time-adjusted sales prices were \$2,505,600 and \$2,317,250. Subject has 122 front feet and is improved with a 7,100 square foot residence. The evidence suggests subject is superior to the sale properties in nearly every aspect, which should naturally lead to a higher value being placed on subject. After considering all testimony and evidence in this matter, the Board finds Appellant has failed to prove by a preponderance of the evidence that subject was over-valued. The sales information provided by Respondent supports subject's assessment. For the reasons outlined above, the Board will affirm the decision of the Kootenai County Board of Equalization.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Kootenai County Board of Equalization concerning the subject parcel be, and the same hereby is, affirmed.

MAILED April 30, 2008